January 28, 2020

Fabricated Structural Steel from Canada, China, and Mexico
Inv. Nos. 701-TA-615-617 & 731-TA-1432-1434

STATEMENT OF CHET McPHATTER
President, Banker Steel Company

Good morning. My name is Chet McPhatter and I am President of Banker Steel Company. I oversee the day-to-day production operations of the company, including our marketing and sales efforts. I have worked for Banker Steel since 1997.

Banker Steel manufactures fabricated structural steel for use in commercial construction projects in the United States. We were founded in 1997 with just a few employees. Since then, we have become one of the largest domestic fabricators in the U.S. We now employ more than 400 workers at our facilities, which are located in Lynchburg, Virginia; Orlando, Florida; and South Plainfield, New Jersey. We compete for projects nationally, with a focus on New York, the Northeast, Florida, the Southeast, and all along the Atlantic coast region.

At Banker Steel, we have a highly skilled and committed work force, which includes members of the United Steelworkers Union. We are a great company, and we are proud of our employees and our projects. We produced the structural steel used in the Freedom Tower in New York City, the Washington Nationals' baseball stadium, and MGM National Harbor in Maryland, among other projects.

As you have heard from others, in recent years, the domestic industry has been forced to compete with unfairly-priced imports of structural steel from Canada, China, and Mexico, and Banker Steel has lost several large projects to these imports. Even when we won a bid in the face of subject competition, we had to reduce our prices substantially to meet their low pricing levels.

Let me describe some of our experiences, starting with our involvement in the Hudson Yards project. The Hudson Yards project is located on the west side of Manhattan and is the largest private real estate development in U.S. history. In 2013, we won the bid for the structural steel used in the platform underlying Hudson Yards. The platform provides the foundation for the above-grade construction at Hudson Yards, which includes several high-rise towers. We provided 25,000 tons for the Hudson Yards platform, which made it our largest project at the time.

Because we completed the platform successfully, we expected to compete for and win some of the above-grade work at Hudson Yards. We lost that work, however, because of the subject imports. To take one example: one of the first structures built in Hudson Yards was Tower A, which required approximately 90,000 tons of structural steel. Due to our work on the platform, the developer asked us to provide budget pricing for Tower A while it was being designed, which we provided in several iterations. However, to my knowledge, no domestic fabricators were given an opportunity to bid the final design. Instead, the developer purchased milled steel from China and shipped it to fabricators in third countries, including Corey from Mexico. The steel was then imported into the U.S. and shipped to New York at a cost well below the prices we offered during the budget phase.

Similarly, the bid for the 15,000 tons of steel used in the Retail Center at Hudson Yard was awarded to the Canadian fabricator, ADF, who again offered below market prices to the developer. Finally, in 2018, we decided to make an aggressive bid to supply 25,000 tons of steel for the Tower at 50 Hudson Yards. The bid was awarded, however, to the Mexican fabricator, Corey. When we learned about the price, we were shocked, because it was well below our own costs of producing the steel.

In summary, the largest private real estate development in U.S. history was built primarily with foreign fabricated steel, most of it imported from the subject countries at below-market prices, to the detriment of the domestic industry.

The Hudson Yards project is just one example – although a very important one – of the harmful impact that the subject imports have had on our industry. At the end of 2018, for example, Banker Steel lost another bid for the production of structural steel for Two Manhattan West, a 50,000 ton high-rise in New York City. We were a finalist for this project but could not compete with the very low pricing offered by the Canadian supplier, the Walters Group, which won the bid after we refused to offer further price cuts. We understand that the low prices offered by Walters were based on sub-contracting much of the fabrication work to Chinese and Mexican fabricators.

Based on the public briefs in this investigation, I understand that counsel for the subject importers claim that we did not lose these sales because of price, but because we did not meet the needs of the developer. I do not believe that to be the case, based on the circumstances under which these projects were awarded. On Hudson Yards, it does not make sense that the developer would have chosen Banker Steel to provide the structural steel for the platform—which is quite literally the foundation of that project—but not considered us capable of supplying the steel for the above-grade structures. Nor would the developer have asked for pricing from Banker Steel on Tower A if it thought us incapable of performing the work. Similarly, on Two Manhattan West, the structural steel contract was only awarded to Walters after we held firm on our price and refused to make further cuts. In my view, the determining factor is clear: price, price, price.

The importance of price on these bids is also demonstrated by our experience on projects where we actually did win the bid. In July 2018, we were awarded the bid for the project at 66

Hudson Boulevard in New York, but we were forced to reduce our price significantly to compete with the low pricing offered by a Canadian fabricator. In fact, after making what we understood was our final bid, we were asked to come to a meeting with the prospective customer in New York. We arrived and were placed in a room while representatives of the Walters Group, a Canadian competitor on the bid, were placed in another room. Ultimately, we were told that we needed to beat their price to win the bid. We did beat the price, but lost substantial revenue. Again, when we competed with the Canadian producers, the deciding factor was price.

In sum, the low-priced fabricated steel imports from Canada, China, and Mexico have negatively impacted our sales and profitability. Before duties were imposed in this case, we lost a number of projects to subject imports and had to cut our pricing for the bids that we did win. This impacted our bottom line, return on investment, and prevented us from increasing our capacity utilization, which has affected our ability to expand our sales and production levels.

Fortunately, the impact of the investigation has been positive, and in 2019, I am pleased to report that we were awarded the bid to produce the structural steel for a large commercial and residential complex at South Station in Boston, Massachusetts. During that process, the developer inquired about the duties that would be imposed on the Canadian imports if the orders were issued. I believe that the developer's concern about the duties opened the door and allowed us to compete on a fair basis with the Canadian imports.

In my view, imposing duties on the subject imports will help address the unfair trading practices of Canada, China, and Mexico and will level the playing field for the domestic industry. I respectfully ask you to issue an affirmative determination, which will help us deal with the unfairly traded imports from these three countries. I appreciate the opportunity to appear before you and look forward to any questions you may have.